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China: Second Session of Fifth National  
People's Congress (NPC) Provides  
Windows on Current Policies

- Opens Monday; will examine key aspects of policies, approve senior-level government appointments, review government appointments, review government's activities, address new issues. Despite "rubber-stamp" attributes, provides good window on state of Chinese policies and leadership structure. At this time in particular NPC should indicate outcome of major policy debates which have been going on since mid-March.
- On leadership, appointments and removals should indicate degree of influence exerted by Deng Xiaoping--to assume continuity of his views, important for him to have people who support him established in responsible governmental posts, especially in view of his advancing age.
  - ° Possible, for example, that Deng's protege Hu Yaobang might be added to list of Vice Premiers. Hu presently is Party General Secretary and Director of its Propaganda Department, but holds no governmental post. Past events have shown that those who exercise greatest power in China must have both high Party and governmental positions.

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- ° Also possible some older high-ranking people who were purged during the Cultural Revolution and now rehabilitated could become Vice Premiers, e.g., Tan Zhenlin, former Politburo member with responsibilities for agriculture, and Peng Zhen, another ex-Politburo member who was Mayor of Beijing until 1966. While not necessarily as close to Deng as Hu Yaobang, people such as these would in general support Deng's efforts to revitalize China.
- ° On the other hand, if people such as the above do not receive high positions, and, more importantly, if individuals close to Deng's principal opponent, Wang Dongxing, do, it may be concluded that Deng's power has been curtailed and his policies rendered vulnerable to significant revision.
- On policy, customary for Chairman of State Council (Premier) to deliver report on work of the government. This will in all likelihood be Hua Guofeng, as was the case in January 1978 NPC session (Hua is Premier in addition to being Party Chairman). Major issues to be addressed:
  - ° Internally
    - Approval of revised priorities for "four modernizations," with agriculture taking first priority,

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light industry coming next (ahead of heavy industry) to serve agriculture and expand foreign exchange-earning exports, and national defense trailing after science and technology. Defense priorities could be controversial in wake of military shortcomings revealed during China's attack on Vietnam.

- Reaffirmation of outcome of December 1978 Party Plenum, which reflected Deng's philosophy and implementing "emancipation of thinking", democracy, material incentives, and exercise of initiative in management of enterprises. (These elements have been criticized by Weng Dongxing group on grounds that Deng's approach undermines teachings of Mao Zedong, whose "every word" should be taken as gospel.)
- According to reports, acceptance of bills concerning drastic reform of Chinese administrative system, establishing a judicial system, and providing for joint Chinese-foreign industrial ventures. All these steps are necessary to get China moving again; most crucial is administrative reform to assure cadre compliance with Deng's new policies. Wang Dongxing group can be expected to resist.

° Externally

- Examination of policies on relations with USSR  
(probably permitting some improvement of State-to-state relations despite continued freeze on basic party-to-party issues). China's "four modernizations" require as peaceful an environment as possible.
- Endorsement of improved relations with the U.S.  
(There may have been some criticism of Deng in this area over U.S. relationship with Taiwan and tough U.S. line on trade and textiles.)
- Explanation of China's stand on such other key subjects as Kampuchea, Vietnam, and Nonaligned Movement.

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-- From mid-March until late May [REDACTED]  
Chinese newspaper editorials indicated that Deng was being subject to considerable criticism at hands of Wang Dongxing group, and perhaps some of Deng's old comrades as well who felt he was trying to do too much too soon. Deng backtracked somewhat by putting tighter political parameters on democracy, incentives, etc., but also counter-attacked to reaffirm the essence of his new program. A cessation of critical editorials suggests he has prevailed,

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at least for the moment, and this should therefore be reflected in NPC proceedings. But Chinese leadership is clearly now more collegial than was the case in 1978.

-- We should know more about the course of events by COB 18 June.

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In contrast to the situation prevailing at the time of Deng Xiaoping's visit to the US, the leadership situation in China has become quite murky. There have been no major upheavals, but Deng's preeminent position has been eroded, and he now appears to be under much greater pressure than earlier. This may be a passing phase, or it may be more serious. Deng has a long record for getting himself into hot water and sometimes out again.

Signs of leadership troubles and friction have been evident since shortly after the end of the war with Vietnam. They include the following:

-- The "democracy" movement has been circumscribed and directed into more official channels. Deng has from the beginning been vulnerable on this question, because iconoclastic dissent is so offensive to orthodox party bureaucrats. He was trying to protect himself as early as last December, but we now have had repeated reports that he was criticized for nurturing the dissidents at a recently-concluded party meeting. There have been some reports that he had to perform self-criticism on this and other issues at the meeting.

-- Much of the criticism on Deng's encouragement of the dissidents is reported to have come from a group of younger leaders, loosely allied with Hua Guofeng, who opposed Deng's return to active leadership in 1977.

-- Deng appeared to have rendered this group powerless at party meetings last November (which also approved normalization). Now, however, they appear again to be strong enough politically

to criticize Deng. Our reports indicate that this group of leaders has considerable support from middle-rank party bureaucrats who feel threatened and blocked by the return of veteran party leaders who had been sidelined in the Cultural Revolution.

-- Criticism of the Cultural Revolution itself has slackened. At the same time the virulent, thinly disguised criticism of Mao has also slacked off. Mao's mausoleum, closed since late last year, is again open and "Mao-thought" is mentioned frequently and in a positive context. Because nearly all Chinese associate Deng with the attacks on Mao, at the very least his prestige is affected by the change.

-- Modernization has been slowed down and "sobered-up" and trade policy has consequently been affected. Much of what has happened here has occurred for good economic reasons and may in fact be salutary. But Deng's prestige again has been affected. There is growing evidence that the modernization program is now in the hands of Chen Yun, who was restored to the Politburo last December after a 20-year political eclipse. Chen is as much of a "rightist" as Deng, but if he, rather than Deng, now oversees this most important of Chinese programs, Deng's political standing is bound to be affected.

-- Hua Guofeng has also become more active politically recently. Much of the thinly-veiled criticism of Hua has ceased, and he recently delivered the only important speech made by a Chinese leader in the past several months. Hua's statement, although less "maoist" than speeches he made in 1977 and 1978, shows continuing differences with the "Dengist" approach to political reform. Western

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Europe, cancelled earlier this year, has now been rescheduled and is due to take place this fall. Many of the handful of Hua proteges in upper-level positions have also been active recently.

-- Deng, on the other hand, is reported to have told Henry Kissinger that he does not expect ever to travel abroad again. This categorical statement, if confirmed, has strong political overtones. Deng would not speak so categorically of never going abroad again if his colleagues had not reined him in.

However, not all the indicators have been bad, from Deng's point of view. His basic policy positions are still popular with wide segments of the Chinese populace (although probably not with much of the middle rank party cadre). His proteges hold many of the most important and sensitive positions in the party, government and provincial administrations. He probably still has extensive--although not universal--support in the Chinese military.

In particular:

-- A delegation of visiting US congressmen was told by a [REDACTED] that Deng was unquestionably the most important man in China.

-- While Mao's image has improved, he is still not being treated as the source of unquestioned wisdom.

--Deng still has wide latitude in decision-making -- at least in areas particularly visible to us. During Secretary Kreps' trip to China, Deng personally opted for a successful conclusion to the protracted claims/assets negotiations and facilitated initialling of the trade agreement -- without apparent consultation with his

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Politburo colleagues and in the face of obvious bureaucratic resistance.

None of the indicators on either side is conclusive. Deng appeared powerful and personally self-assured during the Kissinger/Ford visits in late 1975, only to fall from power a few months later. But he has also recovered repeatedly from apparent set-backs.

In any case, Deng is clearly vulnerable on a series of issues: the disruptive consequences of "democracy," de-Maoification, impetuosity in pursuing the modernization program and in contracting for foreign purchases, the Congressional legislation pertaining to Taiwan, and perhaps some aspects of the recent war with Vietnam.

The war seems to have created or exacerbated frictions within the military establishment and between the military and civilian leaders. Some commanders are reported to have opposed the attack on Vietnam; others may have been criticized for performance during the fighting. The deputy commander of the attack has not appeared in public since the fighting ended, and other senior leaders have been hurriedly transferred in recent weeks. The slowdown in modernization, with the new emphasis on light industry means less hardware for the military just at the time the recent fighting demonstrated the need for new weapons. The consequent infightings -- about which we still know only a little -- could have had some adverse affect on Deng's hitherto firm base of support in the military.

Ironically, some of the "rehabilitations" of Cultural Revolution victims which Deng engineered late last year probably have resulted in an additional erosion of Deng's support among fellow victims of the Maoist

purges. Previously Deng was the sole leader of the group of party veterans seeking "justice" for the wrongs they had endured; now he must share leadership with such luminaries as Chen Yun and from Beijing party boss Peng Zhen - men who were his rivals in the 1950s and 1960s. Fragmentation of leadership among the party veterans may have made it possible for the "leftist" factions headed by Wang Dongxing to increase its assertiveness.

In short, the Chinese leadership appears to have entered a new round of infighting and jockeying for position. In the past week Deng has begun something of a counterattack against his critics, but he still seems strategically on the defensive. It is still too early to tell how serious and how prolonged the current troubles will be.